



# House of Representatives

**File No. 669**

General Assembly

February Session, 2018

**(Reprint of File No. 309)**

Substitute House Bill No. 5204  
As Amended by House  
Amendment Schedule "A"

Approved by the Legislative Commissioner  
May 3, 2018

## **AN ACT CONCERNING LAW AND ORDINANCE COVERAGE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 38a-308 of the 2018 supplement  
2 to the general statutes is repealed and the following is substituted in  
3 lieu thereof (*Effective July 1, 2019, and applicable to policies made, issued or*  
4 *delivered on or after said date*):

5 (b) Any policy or contract that includes, either on an unspecified  
6 basis as to coverage or for an indivisible premium, coverage against  
7 the peril of fire and substantial coverage against other perils need not  
8 comply with the provisions of subsection (a) of this section, provided:  
9 (1) Such policy or contract shall afford coverage, with respect to the  
10 peril of fire, not less than the substantial equivalent of the coverage  
11 afforded by said standard fire insurance policy; (2) except as provided  
12 under subdivision (1) of subsection (a) of this section for a policy or  
13 contract of fire insurance for a commercial property made, issued or  
14 delivered by a nonadmitted insurer or any agent or representative  
15 thereof, the following provisions in said standard fire insurance policy

16 are incorporated therein without change: (A) Mortgagee interests and  
17 obligations, (B) the definitions of actual cash value and depreciation,  
18 (C) the time period for when a loss is payable after proof of loss, and  
19 (D) the time period for when a suit or action for the recovery of a claim  
20 may be commenced; (3) such policy or contract shall afford coverage,  
21 in an amount not greater than the amount specified in such policy or  
22 contract, for the increased cost of repair or reconstruction by reason of  
23 ordinances or laws regulating such repair or reconstruction; (4) such  
24 policy or contract is complete as to all of its terms without reference to  
25 any other document; and [(4)] (5) the commissioner is satisfied that  
26 such policy or contract complies with the provisions hereof. The  
27 provisions of this subsection shall apply to any such policy or contract  
28 issued or renewed on or after July 1, 2014.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019, and applicable to policies made, issued or delivered on or after said date</i>	38a-308(b)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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### ***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

### ***Explanation***

The bill requires certain property insurance policies<sup>1</sup> to include ordinance and law coverage in an amount not greater than the amount specified in the policy or contract and is not anticipated to result in a fiscal impact. Property insurance covering state buildings already includes such coverage.<sup>2</sup> Because the bill does not stipulate a minimum coverage amount, it is anticipated that if any municipality lacks such coverage, it can continue purchasing insurance without increased costs.

House "A" eliminates the original bill and its associated fiscal impact and results in the impact described above.

### ***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

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<sup>1</sup> Property insurance as specified in CGS § 38a-308(3)(b)

<sup>2</sup> According to the Department of Administrative Services

**OLR Bill Analysis****sHB 5204 (as amended by House "A")\******AN ACT CONCERNING LAW AND ORDINANCE COVERAGE.*****SUMMARY**

This bill requires fire insurance policies or contracts (e.g., homeowners insurance policies) that do not use the standard fire insurance form to cover repair or reconstruction costs incurred due to laws or ordinances (e.g., the increased cost of repair required to bring a property into compliance with the building code) (i.e., law and ordinance coverage).

Existing law generally requires fire insurance policies and contracts to comply with the requirements for the standard fire insurance form specified in CGS § 38a-307. However, the law allows insurers to issue a policy or contract that does not comply with the standard form if it meets certain criteria. The bill requires such a policy or contract to also provide law and ordinance coverage, up to a limit specified in the policy.

\*House Amendment "A" replaces the underlying bill, which required policies or contracts written on the standard fire insurance form to provide law and ordinance coverage in an amount equal to at least 10% of a buildings total coverage.

EFFECTIVE DATE: July 1, 2019, and applicable to policies made, issued, or delivered on or after that date.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/20/2018)